Volume 14 Issue 2

AFRISCOPE

JULY 2024

Content

Overview

Alarming Dependence: Africa's Struggle with Inefficiency and Accountability in International Aid and Finance

Africa's heavy dependence on international aid and finance is becoming alarming and a cause for concern. Not borrowing itself casts the shade, but the persistent lack of efficiency and accountability over the years has hindered the anticipated improvement of African economies. Despite bilateral deals and financial aid from international bodies, many countries in the region remain worse off. The International Monetary Fund (IMF) remains Africa's largest lender. However, the conditions attached to these loans often pose challenges to the populace, potentially being anti-people in some cases. Egypt, Kenya, and Angola are currently among the countries with the highest levels of IMF debt, raising further concerns about the sustainability of their economic strategies.

Managing Disinflation and Fiscal Consolidation

Global headline inflation is projected to decline to 5.8% in 2024 and further to 4.4% in 2025. This trend of disinflation, coupled with steady economic growth, has reduced the likelihood of a hard landing, resulting in broadly balanced risks to global growth. For African economies, the challenge is twofold. Policymakers must deftly manage the final descent of inflation to target levels, adjusting monetary policy to respond to underlying inflation dynamics. Concurrently, there is an imperative to renew focus on fiscal consolidation. This involves rebuilding budgetary capacity to withstand future economic shocks, generating revenue for new spending priorities, and curbing the rise of public debt.

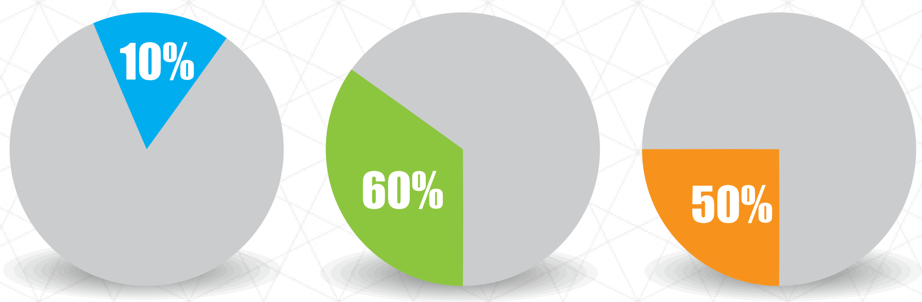
China's Growing Trade Influence in Africa- Strategic Partnership or Exploitation?

In recent years, China has emerged as Africa's leading trading partner, surpassing both the United Kingdom and the United States. Trade between Africa and China has seen remarkable growth, expanding from \$11.67 billion in 2000 to a peak of \$257.67 billion in total trade by 2022. Chinese investment, such as the Belt and Road Initiative (BRI), has significantly contributed to infrastructure development and economic growth across the continent. This rapid expansion raises the question: What is China's ultimate goal? Some critics argue that China's involvement is a strategic move for exploitation, particularly in resource-rich countries such as Nigeria, South Africa, Ethiopia, Kenya, Ghana, and Tanzania, which attract the highest levels of Chinese foreign direct investment (FDI). These skeptics suggest that China's investments may primarily serve its own economic interests, potentially at the expense of local economies.

In this edition of the FDC Afriscope, we analyze burning macroeconomic and political issues in Africa, offering insights and strategies for policymakers.

Enjoy your read!

Economic Update



THE WORLD BANK APPROVES $208 MILLION TO SUPPORT ZAMBIA'S DROUGHT RELIEF

The World Bank has approved a $208 million grant for Zambia to help the southern African nation cope with and effectively respond to the severe impact of regional droughts.[1] The United Nations has described Zambia's agricultural season as the driest in over four decades.

Southern Africa is facing its worst drought in years, exacerbated by El Niño, which causes abnormal warming of waters in the eastern Pacific, leading to hotter global weather compounded by elevated temperatures due to greenhouse gas emissions. Consequently, Zambia, Malawi, and Zimbabwe have declared a state of disaster due to a severe drought that has drastically affected food production and the livelihoods of millions of people in the region.[2]

The World Bank grant aims to help Zambia effectively address the impact of the drought by increasing cash payments to affected households by 100% to $16.60 from $8.30. According to Zambia's finance ministry, the grant is meant to provide emergency cash assistance to over 1.6 million households in 84 drought-affected districts over a 12-month period. This funding will support and complement the current social protection programs in place.

A farmland affected by drought in Zambia

1. Reuters, Zambian finance ministry. 2024. World Bank stamps $208 million Zambia grant to face drought. DW. https://www.dw.com/en/world-bank-stamps-208-million-zambia-grant-to-face-drought

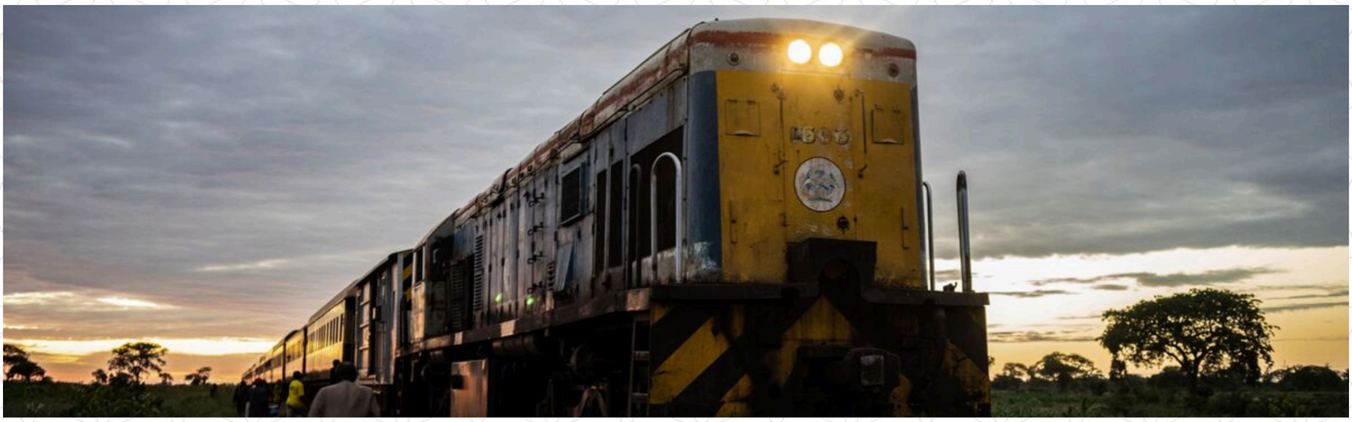
2. Chris Nfula. 2024. World Bank approves $208 million for Zambia's drought response. XM. https://www.xm.com/uz/research/markets/commodities/reuters/world-bank-approves-208-million-for-zambias-drought-response

ZIMBABWE AND CHINA DISCUSS NATIONAL RAILWAY RENOVATIONS ($533 MILLION)

National Railway of Zimbabwe (NRZ), formerly Rhodesia Railway (RR) is a state-owned enterprise that operates the country's railway system.[3] The NRZ has suffered from the general decline of the country's economy. Neglect of maintenance, lack of spare parts, and overdue replacement of equipment have led to a situation where only some parts of the network are in good condition. Equipment problems have also led to reduced service. The company is faced with indebtedness, making it impossible to solve the situation without external help.[4]

NRZ operates about 4,225 kilometers (2600 miles) of railway lines, providing freight services. It is important for southern Africa and is well-linked with neighboring countries. However, NRZ has been in a state of near dysfunction for nearly thirty years, severely impairing the livelihood of smallholder farmers, railroad communities, and businesses that depend on train transportation for distribution.

In an interview, Zimbabwe's finance minister stated that his nation has fallen behind its neighbors, such as Zambia and Mozambique, in rail development and that it is eager to catch up. To start the project of renovating the train station, the NRZ and China signed a memorandum of understanding. Meanwhile, a feasibility study was carried out in June 2024 to provide a thorough analysis, which will guide the decision-making process for the parties involved. An estimated $533 million would be required for the railway renovations. Lithium, coal, granite, chromium, and other goods are transported by rail for export; most mineral exports are sent to Asia, particularly China. Zimbabwe is well-known for having abundant mineral resources. Therefore, both nations will gain from the project.[5]

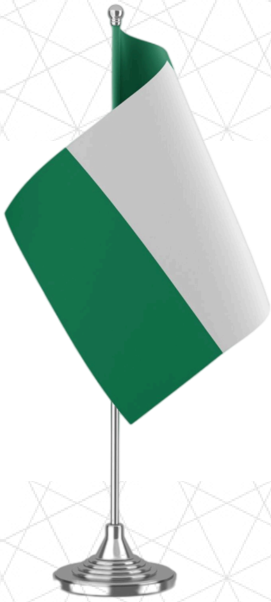


3. International Transport Workers Federation (2008), The restructuring and privatisation of the National Railways of Zimbabwe (NRZ). https://web.archive.org/web/20110722125823/http://www.itfglobal.org/railways/unionreports-issue6.cfm

4. Misheck Rusere (2010), Zimbabwean trains held in China over debt, Africanews.com. https://web.archive.org/web/20101210042930/http://www.africanews.com/site/Zimbabwean_trains_held_in_China_over_debt/list_messages/36451

5. Ray Ndlovu (2024) Zimbabwe in Talks with China for $533 Million Revamp of State Railway Company, Bloomberg.com https://www.bloomberg.com/news/articles/2024-05-20/zimbabwe-in-talks-with-china-for-533-million-revamp-of-state-railway-company https://www.constantcravings.ca/blog/8kdaja1534P1cedd44.htm

NIGERIA IS MAKING PROGRESS WITH ITS M&A DEALS IN THE UPSTREAM SECTOR



The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) announced in late April 2024 its evaluation of Shell's $2.4 billion onshore asset sale to a local consortium, Renaissance Africa Energy, after prolonged delays. Industry stakeholders frustrated with the sluggish progress of divestments by international majors to local players welcomed this move.

Local companies are expected to be major players in the upcoming licensing round for oil exploration blocks. International oil companies are looking to sell assets that are no longer as profitable due to environmental and social concerns. However, these assets are attractive to local companies because they see opportunities to increase oil production.

The government is taking steps to speed up approvals and make the industry more efficient. There are still concerns that the government is not prioritizing these asset sales, but there are signs that it is committed to closing the deals.

The progress in asset sales and new licensing rounds indicates a shift towards greater local involvement in Nigeria's oil and gas sector. This shift could lead to increased domestic control over oil production, enhanced operational efficiency, and greater overall output, despite ongoing challenges such as security concerns and regulatory hurdles. Successful M&A deals and increased local participation could lead to economic benefits such as job creation, skill development, and increased revenues for the Nigerian government. The successful completion of these deals and the implementation of reforms could catalyze further investment and development, positioning Nigeria as a more prominent player in the global energy market.[6]

6. James Gavin. May 09, 2024. Signs of progress in Nigeria's upstream as major M&A deals inch forward. African Energy. https://www.africa-energy.com/news-centre/article/signs-progress-nigerias-upstream-major-ma-deals-inch-forward

KENYA'S PROPOSED 15% TAX ON INFRASTRUCTURE BONDS MAY DETER FOREIGN INVESTMENT

Kenya's economy has experienced slow but steady growth in the past three years after the pandemic. The International Monetary Fund projects the country to grow by approximately 5.0% in 2024, down from 5.5% in 2023. However, the country faces challenges such as geopolitical tensions and high public debt, making it difficult to meet financial targets. In response to this, the Finance Bill 2024 was tabled before the National Assembly, proposing various changes to enhance revenue collection and tax compliance. The bill, which is now withdrawn due to widespread public discontent, was meant to generate Ksh 346 billion ($2.68 billion) for the Kenyan government to meet its budget obligations.

One notable proposal in the 2024 Finance Bill is the taxation of interest income from infrastructure bonds. Kenyan residents who invest in infrastructure bonds will pay a 5% withholding tax. Foreign investors will be subject to a higher withholding tax rate of 15% on the same bonds. Kenya's latest bond offering received bids exceeding four times the initial amount sought. The tax-free bonds, with a maturity of 8.5 years, offered a coupon rate of nearly 18.5%. The initiative of imposing taxes on listed infrastructure bonds may impact foreign currency inflows as investors seek tax-exempt interest income. Adding tax surcharges on the revenue from these infrastructure bonds may steer investors to alternative economies, such as Uganda, where interest earned from such bonds remains tax-free.

Conclusively, while the Kenyan government aims to boost revenue through these measures, the impact on foreign investment remains a point of concern.[7]

7. Miridzhanian et al. (Reuters 2024). "Benin provisionally reverses ban on oil exports from Niger". https://www.reuters.com/world/africa/benin-provisionally-reverses-ban-oil-exports-niger-2024-05-15/

ANGOLA AND CHINESE BANK STRIKE DEBT RELIEF TANGO

Amidst the economic turmoil exacerbated by the global pandemic, Angola is confronted with the daunting task of repaying approximately $17 billion to its Chinese creditors. This amount represents nearly 40% of its total external debt.[8] The high debt burden strains the government's coffers, triggering currency pressures and inflationary distortions. The Angola Kwanza has depreciated by 64.4% against the U.S. dollars from 2023 to 2024.

Angola has adopted a strategic and unorthodox approach to ease the debt burden with its largest creditor, the China Development Bank (CDB). Finance Minister Vera Daves de Sousa revealed that Angola has successfully negotiated an agreement with the CDB, allowing the country to access funds that were held as collateral for a significant loan. This maneuver the much-needed lifeline to better manage its debt obligations.[9]

In 2020, Chinese creditors granted Angola a three-year moratorium on debt payments, offering temporary respite amidst economic uncertainty. However, the country's economic downturn upon the resumption of payments in 2023, including US dollar bonds, underscored the pressing need for innovative debt management solutions.[10]

The agreement with the CDB illuminates Chinese banks' supportive efforts to struggling economies. Rather than outright debt relief, they provide payment support. The CDB's terms mandated that Angola maintain a minimum cash collateral of $1.5 billion in a special escrow account, with provisions for supplementation when oil prices exceeded $60 a barrel. This shows a joint effort towards mutually beneficial solutions in tough financial times.

8. FP Staff. May 8, 2024. Angola strikes unusual deal with China to ease debt crunch. Firstpost. https://www.firstpost.com/world/angola-strikes-unusual-deal-with-china-to-ease-debt-crunch-13768680.html

9. Joseph Cotterill, May 8, 2024. Angola agrees deal with Chinese state bank to ease debt crunch. Financial times. https://www.ft.com/content/7f29687d-d6eb-498c-97ba-774f617f0e0b

10. Kmaupdates, May 8, 2024. Angola Agrees Deal With Chinese State Bank To Ease Debt Crunch. Kmaupdates. https://kmaupdates.com/2024/05/08/angola-agrees-deal-with-chinese-state-bank-to-ease-debt-crunch/

CONGO'S $7 BILLION BET ON COPPER

The Democratic Republic of Congo (DRC) secured a $7 billion infrastructure investment from Chinese companies under a revised minerals-for-infrastructure deal.[11] This agreement revamps a previous 2008 deal and hinges significantly on copper prices.[12]

Under the new terms, Chinese companies, Sinohydro Corp and China Railway Group, will hold a 68% stake in the Sicomines joint venture, while the 32% belongs to the Congolese state miner, Gecamines. The funding for these infrastructure projects, primarily road construction, will come from Sicomines' profits, which will also repay loans provided by Chinese banks to Congo.[13]

A crucial aspect of this agreement is its dependency on the global copper market. The deal mandates an annual investment of $324 million in infrastructure from 2024 to 2040, contingent upon copper prices staying at least $8,000 per metric ton. With current copper prices around $9,855 per metric ton, the prospects look favourable.[14] If prices rise by at least 50% from this threshold, an additional 30% of the resultant profits will be directed towards further infrastructure development. However, if prices fall to $5,200 per ton or lower, Sicomines will cease its infrastructure financing.[15]

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While this deal promises significant infrastructure improvements, such as better roads in, it is not without controversy. Sicomines will remain exempt from taxes until 2040, a point criticized by Congolese and International Civil Society Organizations, who argue this represents a substantial revenue loss for the country. Additionally, past promises of infrastructure investments have not been fully met. Of the $3 billion pledged in the 2008 infrastructure-for-mineral deal, only $822 million has been spent by the Chinese companies Sinohydro Corp and China Railway Group. This raises concerns about the

11. Reuters (6th May 2024). Congo's $7bn infrastructure deal with China will depend on copper prices. https://www.miningweekly.com/article/congos-7bn-infrastructure-deal-with-china-will-depend-on-copper-prices-2024-05-06

12. South China Morning Post (4th February 2024). Chinese firms agree to raise investment in Democratic Republic of Congo copper-cobalt mining deal. https://finance.yahoo.com/news/chinese-firms-agree-raise-investment-093000661.html

13. Caixin Global. (7th May 2024). Congo's $7 Billion Deal With China Linked to Copper Price Under New Contract. https://www.caixinglobal.com/2024-05-07/congos-7-billion-deal-with-china-linked-to-copper-price-under-new-contract-102193501.html

14. Financial Post. (27th January 2024). DRC Strikes New $7 Billion Mine Road-Financing Deal With China. https://financialpost.com/pmn/business-pmn/drc-strikes-new-7-billion-mine-road-financing-deal-with-china

15. Mining.com. (3rd May 2024). Congo's $7 billion infrastructure deal with China will depend on copper prices. https://www.mining.com/web/congos-7-billion-infrastructure-deal-with-china-will-depend-on-copper-prices/

16. Investing.com, FDC Think Tank

execution of new commitments.[17, 18]

The revised agreement also addresses previous imbalances by ensuring greater transparency in mining contracts, aligning with Congo's ongoing program with the International Monetary Fund (IMF). This transparency could enhance the country's economic stability and governance.

This deal represents both a significant opportunity and a substantial risk for the Congolese economy. If copper prices remain robust, the country could benefit from improved infrastructure, potentially stimulating economic growth and development. However, the heavy reliance on a volatile commodity market underscores the need for strategic economic diversification to mitigate potential risks.

Chinese companies, Sinohydro Corp and China Railway Group, will hold a 68% stake in the Sicomines joint venture, while the 32% belongs to the Congolese state miner, Gecamines

17. The Sudan Times. (3rd May 2024). DRC's $7B infrastructure plan with China tied to copper prices. https://thesudantimes.com/economy/drcs-7b-infrastructure-plan-with-china-tied-to-copper-prices/

18. Reuters. (27th January 2024). Chinese companies to invest up to $7 billion in Congo mining infrastructure. https://www.reuters.com/markets/commodities/chinese-invest-up-7-bln-congo-mining-infrastructure-statement-2024-01-27/

CONGO'S OIL PRODUCTION: A SLOW CLIMB WITH LONG-TERM

Congo-Brazzaville's oil production has faced a rough patch in 2024, dipping 7% y/y in the first four months of 2024 to an average of 249,500 barrels per day (b/d), below its OPEC quota of 276,000 b/d. This decline can be attributed to maturing oil fields and a lack of recent investment.

However, there are positive signs on the horizon. The government's efforts to improve transparency in contract awarding and implementing tax breaks are proving effective in enticing major players. French energy giant TotalEnergies is a prime example of a corporation planning new exploration activities in the country.

Further evidence of renewed interest comes from a recent deal in the Congolese oil sector. In late April, UK-based Trident Energy acquired Chevron's Congolese assets, which include a 31.5% stake in the offshore Moho-Bilondo, Nkossa, and Nsoko II fields, and a 15.75% stake in the offshore Lianzi field. Following this acquisition, Trident Energy struck a deal with TotalEnergies, divesting a 10% stake in the Moho-Bilondo license and acquiring a 53.5% stake in the Nkossa and Nsoko II licenses. Additionally, the recent award of several new exploration licenses indicates sustained activity in this crucial area.

This strategic reshuffle in DRC's oil sector highlights two key points. First, it demonstrates continued investor confidence in Congolese oil, with Trident Energy stepping in where Chevron is refocusing its efforts. Secondly, the deal structure suggests both companies see significant potential in specific fields, with TotalEnergies retaining a stake in Moho-Bilondo and Trident taking a larger holding in Nkossa and Nsoko II.

While the influx of new exploration and investment is encouraging, many existing wells are nearing the end of their productive lifespan. This suggests a gradual increase in output rather than a sudden surge. The country can leverage this renewed interest to diversify its economy and create a more sustainable growth model over the long term.[19]

19. EIU. 2024. Oil sector activity in Congo-Brazzaville points to growth. https://viewpoint.eiu.com/analysis/article/1742100374

NAMIBIA ON OPEC'S RADAR

Namibia's recent oil discoveries have caught the eye of OPEC, the world's oil producer club. With an estimated 2.6 billion barrels found in recent years, Namibia is on track to become Africa's fourth-largest oil exporter by the next decade.[20, 21] This newly found resource wealth has sparked discussions between OPEC and Namibia about potential membership.

OPEC sees Namibia as a strategic addition. The initial focus would be for Namibia to join the OPEC Charter of Cooperation, a group fostering dialogue about energy markets. Eventually, full membership is on the table.[22]

Namibia, however, is cautious. The country has not officially begun oil production yet, and some officials believe membership discussions are premature. Commercial crude production is expected to kick-start in 2030. Minister of Mines and Energy Tom Alweendo has stated that OPEC membership is "a consideration only after we have started to produce."[23]

OPEC membership could bring both benefits and drawbacks. It has the market power to set crude oil prices. Hence, the influence on oil prices could benefit Namibia's oil revenue. Also, a member of OPEC, Namibia, can access OPEC resources and expertise that could aid the development of the oil industry. On the flip side, there are issues with production quotas set by OPEC that could limit Namibia's ability to maximize output. Moreover, overreliance on a single resource like oil can be risky in the long term. Given the fact that major oil-importing countries are shifting from combustible fuel vehicles to electronic vehicles.

Negotiations between the Namibian government and OPEC+ are ongoing, and while the outcome remains unclear, Namibia's oil discoveries present a significant opportunity. OPEC is eager to play a role in the country's future.[24]

20. World-Energy. (16th April 2024). OPEC Woos Namibia as African Nation Prepares to Produce From 2030. https://www.world-energy.org/article/41597.html#:~:text=The%20OPEC%2B%20oil%20producers%20group%2C%20having%20lost%20Angola,an%20African%20industry%20official%20and%20sources%20told%20Reuters.

21. Natalie Grover and Wendell Roelf. (15th April 2024). OPEC woos Namibia as African nation prepares to produce from 2030. https://www.reuters.com/markets/commodities/opec-woos-namibia-african-nation-prepares-produce-2030-2024-04-15/

22. Times Live. (16th April 2024). OPEC woos Namibia as African nation prepares to produce from 2030. https://www.timeslive.co.za/news/africa/2024-04-16-opec-woos-namibia-as-african-nation-prepares-to-produce-from-2030/

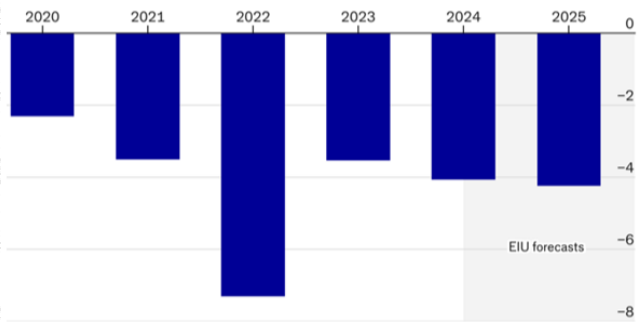
23. Yahoo Finance. (15th April 2024). OPEC woos Namibia as African nation prepares to produce from 2030. https://finance.yahoo.com/news/opec-woos-namibia-african-nation-142511707.html

24. News Agency of Nigeria. (16th April 2024). OPEC woos Namibia as African nation prepares to produce from 2030. https://gazettengr.com/opec-woos-namibia-as-it-prepares-to-produce-oil-from-2030/[CPI1]

TANZANIA'S TRADE DEFICIT SET TO INCREASE IN 2024 DUE TO EXPENSIVE IMPORTS

Tanzania runs a structural trade deficit, reflecting its import dependence on high-value capital and machinery and necessities such as refined fuel, which outpaces export earnings. The trade deficit will remain the case over the medium term, reflecting strong demand for capital imports to support Tanzania's large pipeline of infrastructure projects. These include the expansion of transport networks (roads and railways), capacity expansion of ports, and energy infrastructure.[25]

According to the data released by the Central Bank of Tanzania on May 6, the trade deficit stood at $1.57 billion in Q1 2024, comparable with levels recorded during the same quarter of 2023 amid a slight dip in cumulative imports. The year-on-year trade deficit increased by 4.7% to $605 million in March, owing primarily to an 8.2% year-on-year decline in export earnings, although the shortfall remained steady in the first quarter. The widening trade deficit may also expand the current account deficit.



Source: Bank of Tanzania, The Economic Intelligence Unit 2024

Rising global energy prices are likely to widen the trade deficit in the remaining quarters and on a full-year basis in 2024. The widening trade deficit in 2024 will also increasingly reflect high global prices of energy commodities.

25. Economics Intelligent Unit, (2024), Costlier imports to widen Tanzania's trade deficit in 2024, Costlier imports to widen Tanzania's trade deficit in 2024 | Events | EIU

BENIN HAS TEMPORARILY LIFTED ITS BAN ON NIGER OIL EXPORTS

On May 15, 2024, Benin provisionally reversed its decision to block exports of crude oil from Niger via its port. This development follows the initial prevention of its neighbour, Niger, from using its port to export crude oil due to an ongoing border dispute.

Relations between Benin and Niger soured after the military coup in Niger in July 2023. This led to the sanctions imposed on Niger by Benin and other West African nations, which included border closures, to pressure the military to restore power to the elected government. These sanctions were eased in February 2024 with the expectation that trade relations would normalise. However, Niger refused to open its land border for goods coming from Benin, leading to further tensions.

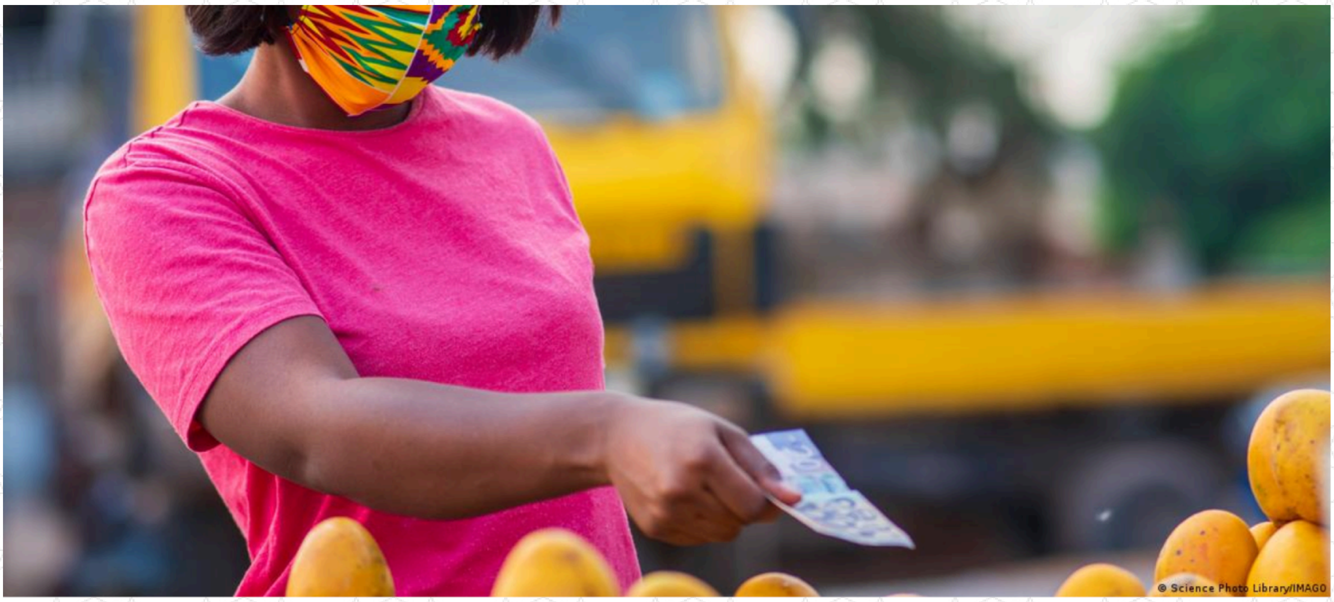
Niger, a landlocked country, has been producing about 20,000 barrels of oil per day, primarily for domestic consumption, due to the lack of an export route. With the completion of a 2,000-kilometre-long Chinese-built pipeline through Benin, production was set to rise significantly to 110,000 barrels. However, the ongoing dispute has put this plan at risk. Benin stands to lose approximately $7 million daily in oil transit fees that Niger would have paid. Additionally, most of Niger's imports and exports, which previously passed through Benin, are now happening through Togo due to the border closure. After the temporary ban was lifted, Benin's President, Patrice Talon, now allowed the "one-off" export of Niger's oil via the Niger-Benin Export Pipeline. However, a wider ban on oil exports will remain in place until further resolution is reached.[26]

26. Miridzhanian et al. (Reuters 2024). "Benin provisionally reverses ban on oil exports from Niger". https://www.reuters.com/world/africa/benin-provisionally-reverses-ban-oil-exports-niger-2024-05-15/

HIGH INFLATION WILL SUBDUE GHANA'S GROWTH IN 2024

In 2024, Ghana's economic growth will be constrained by persistently high inflation and currency depreciation. As of mid-May, inflation slightly dipped to 25% from 25.8% in March, driven by lower food and clothing prices and tight monetary policy. However, inflation is expected to remain in double digits throughout the year due to rising global fuel prices and a sustained depreciation of the cedi, which has fallen over 13% in 2024. The high inflation rate, well above the Bank of Ghana's 6–10% target, will erode currency values, worsen living standards, and decrease consumer sentiment, potentially leading to social unrest.

The Bank of Ghana is expected to maintain a high policy rate of 29% p.a in the near term to combat inflation, with only moderate easing expected later in the year. The government's focus on fiscal consolidation, supported by a $3 billion IMF deal, will preclude new subsidies, with inflation forecasted to average 20.5% in 2024. Real GDP growth is at 3.3% for 2024 but is expected to improve to an average of 5.2% annually from 2025 to 2028 as inflation eases.[27]



27. The Economist Intelligence Unit.2024. "High inflation will subdue Ghana's growth in 2024". https://country.eiu.com/ghana

BURKINA FASO'S GOLD MINING OUTPUT SET TO RECOVER IN 2024

Burkina Faso's gold mining output is projected to rebound in 2024, with an expected increase of 7.3% to 61 metric tonnes compared to 56.8 metric tonnes in 2023. Despite facing challenges such as mine closures and supply disruptions due to the Islamist militant insurgency, the recovery is expected to contribute to a robust real GDP growth of 5.5%.[28]

This growth is supported by several factors, including rising international gold prices, which soared to a record high of above $2,300/oz in Q1 2024. Improved security measures at mining sites, increased production at existing mines, and the approval and development of nine new mines, including the Kiaka mine, are also expected to boost gold output in 2025. However, due to ongoing insecurity challenges, gold production is forecast to remain below the peak of 66.9 metric tonnes seen in 2021.

Planned reforms within the mining sector, such as revisions to the mining code aimed at increasing the state's share in ownership and requiring companies to contribute to a national gold reserve, seek to strengthen the sector and enhance government revenue. Additionally, initiatives like the opening of Burkina Faso's first mining waste processing facility and the empowerment of officials to monitor and control mining activities are set to further support the gold sector.

The anticipated recovery in gold production in 2024 signifies a reversal from two consecutive years of decline. This resurgence is expected to positively impact economic growth, as increased gold production directly correlates with higher GDP growth. The forecasted 5.5% real GDP growth reflects the optimistic outlook stemming from the gold mining sector's recovery and its potential to boost government revenue for critical projects, promoting economic stability. However, ongoing security challenges remain a significant risk factor that could disrupt the sector's recovery.

28. The Economist Intelligence Unit.2024. “Burkina Faso's gold mining output set to recover in 2024

ETHIOPIA'S OFFICIAL CREDITORS WILL WAIT FOR AN AGREEMENT WITH THE IMF

Ethiopia's official creditors have extended the June 30th 2024 deadline for the country to reach a staff-level agreement with the International Monetary Fund (IMF) on a new funded program. The official creditors are monitoring Ethiopia's negotiations with the IMF, and if significant progress is made towards an agreement, the deadline is expected to be extended until the end of 2024. Ethiopia has officially defaulted on its $1 billion Eurobond due in December 2024 after refusing to make the interest payment. This year, the country faces over $1.6 billion in debt servicing obligations to private creditors. Ethiopia is set to become the third Sub-Saharan African nation to default on its external debt since the COVID-19 pandemic, following Zambia's default in 2020 and Ghana's in 2023.[29] Therefore, negotiating a deal with private creditors is crucial. Additionally, a more comprehensive debt agreement with its official creditors is needed. Without the extension, creditors may nullify a debt-service suspension agreement signed in December 2023.

Ethiopia's foreign exchange reserves fell to $827.6mn at the end of March 2023, the lowest level since December 2008. This amount can only cover about two weeks of import requirements, impacting both the economy and policymaking. Economic activity has been hindered by restrictive monetary and foreign exchange policies. The severe foreign exchange crunch has led to high prices for the birr (Ethiopia currency) on the parallel market, forcing many trade-dependent businesses to scale down or suspend operations. The manufacturing, agricultural, and construction sectors, which rely on imports for raw materials, machinery, and equipment, have been particularly affected by the scarcity of foreign exchange. Significant payment delays for imported goods and services and tight foreign exchange controls disrupting profit repatriation continue to dampen investor sentiment and pose a major challenge to the government's reform agenda, which envisions a significant role for foreign and private investment.[30]

External financing pressures are high, and the government relies heavily on external support with no substantial domestic reserves to withstand the crisis.

29. Economic Intelligence Unit, 2023.Ethiopia defaults on Eurobond interest payment. https://viewpoint.eiu.com/analysis/article/1713720954

30. Economic intelligence Unit, 2024. Ethiopia's official creditors will hold out for an IMF deal. Ethiopia's official creditors will hold out for an IMF deal | Events | EIU

KENYA'S TAX BILL WITHDRAWAL OBSCURES IMF'S INTERVENTION

The withdrawal of Kenya's 2024 finance bill, which proposed levies on essentials and mobile money transfers to raise $2.68 billion (3% of GDP), has sparked concerns about meeting IMF targets and could increase borrowing costs. The bill's abandonment is expected to result in Kenya missing its fiscal deficit targets of 4.7% this year and 3.5% next year. Its withdrawal means Kenya must find alternative revenue sources or face larger fiscal deficits, which may harm economic growth and public welfare.

The IMF did not comment on altering Kenya's targets but emphasized its commitment to support the country's economic challenges.

Kenya secured a four-year IMF loan in 2021, adding to it in 2023 for climate change measures, totaling $3.6 billion. IMF funding depends on biannual reviews of reforms. Despite reaching a staff-level agreement with the IMF earlier this month, President William Ruto's reversal on the tax bill threatens the anticipated $976 million tranche, pending IMF board approval. With eurobond yields exceeding 10%, international borrowing becomes less viable, pushing Kenya to rely more on domestic markets. This shift could elevate local borrowing costs, affecting businesses and consumers alike.

Credit rating agencies like Moody's have also warned of rising domestic borrowing costs. Moody's recently downgraded Kenya's sovereign credit rating to Caa1 from B3.

Kenya's current situation underscores the need for strategic flexibility in economic policy. While the IMF may need to adjust its targets to reflect Kenya's realities, the government must also explore diverse revenue sources and efficient spending. This includes enhancing tax compliance, curbing corruption, and promoting economic sectors with high growth potential.[31]

31. Reuters. June 28, 2024. Kenya's tax-bill turmoil complicates IMF cash, could boost borrowing costs. https://www.reuters.com/world/africa/kenyas-tax-bill-turmoil-complicates-imf-cash-could-boost-borrowing-costs-2024-06-28/

IMF BOARD APPROVES $360 MILLION PAYOUT TO GHANA AFTER SECOND REVIEW

The International Monetary Fund (IMF) has approved a $360 million disbursement to Ghana following the second review under the Extended Credit Facility (ECF) arrangement.[32] This payout is part of a broader $3 billion program agreed upon in 2022 to support Ghana's economic reforms and stabilize its economy. The approval signals confidence in Ghana's reform agenda to restore macroeconomic stability. Also, the funds will help shore up the country's foreign exchange reserves, which have been under pressure due to economic challenges, and assist in managing its debt obligations by providing liquidity for external and internal debt repayments. This continued IMF support will likely boost investor confidence, potentially attracting more foreign direct investment into the country.

Additionally, the IMF's approval allows Ghana to improve its economic reforms, focusing on areas such as fiscal consolidation, improving public financial management, and enhancing revenue mobilization. The support can also be leveraged to diversify Ghana's economy, reducing dependence on primary commodities and promoting sectors like manufacturing and services.

However, there are significant risks associated with this support. The success of the reforms depends on effective implementation, and any delays or failures could undermine economic stability and growth prospects. Despite the IMF support, Ghana's high debt levels remain a concern, necessitating effective debt management and sustained economic reforms for long-term debt sustainability. Additionally, Ghana's economy is vulnerable to external shocks, such as fluctuations in commodity prices and global economic conditions, which could impact the effectiveness of the IMF-supported program.

32. Reuters. June 208, 2024. “ IMF board approves $360 mln payout to Ghana after second review” https://www.reuters.com/world/africa/imf-board-approves-360-mln-payout-ghana-after-second-review-sources-say-2024-06-28/

CENTRAL AFRICAN REPUBLIC HALTS OPERATIONS OF CHINESE MINING FIRM

The Central African Republic (CAR) has suspended the operations of Daqing SARL, a Chinese mining firm, on charges of collaborating with armed militias. The Ministry of Mines accused the company of engaging in intelligence activities with these groups, conducting illegal mining, unlawfully introducing foreign nationals into mining areas, evading taxes, and failing to submit activity reports.

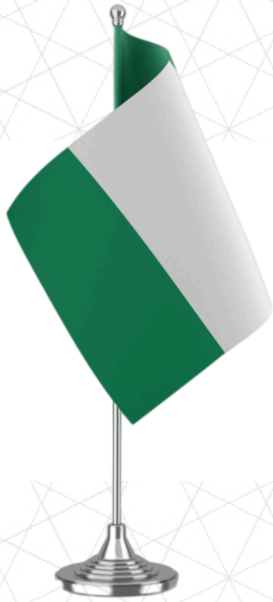
Daqing SARL operated in Mingala, a southern town beset by conflict between government forces and the Coalition of Patriots for Change (CPC), an anti-government faction. Since 2013, CAR has faced protracted conflict, beginning with a predominantly Muslim rebellion that ousted President François Bozizé, prompting a counter-insurgency by predominantly Christian militias. The 2019 peace accord only temporarily reduced hostilities, with multiple armed groups, including the CPC formed in 2020, withdrawing from the agreement.

Despite its substantial mineral wealth, CAR remains one of the world's poorest nations, indicating a severe misallocation of resources and underutilization of its natural capital. Rebel factions operating with impunity have created significant barriers to the mining sector's foreign direct investment (FDI). The pervasive insecurity undermines economic stability and deters the exploitation of natural resources, which are critical for economic development.

Chinese-operated mining ventures, such as Daqing SARL, frequently encounter security risks. Recent attacks attributed to the CPC have resulted in fatalities among Chinese workers. This environment of persistent violence and regulatory challenges exemplifies the difficulties of conducting business in fragile states. The suspension of Daqing SARL's operations underscores the complex interplay between resource wealth, insurgent activities, and foreign investment, highlighting the economic costs of instability and the necessity for robust governance to harness natural resources for sustainable development.[33]

33. EIU.2024. CAR government suspends Chinese mining company. https://viewpoint.eiu.com/analysis/article/1452101945

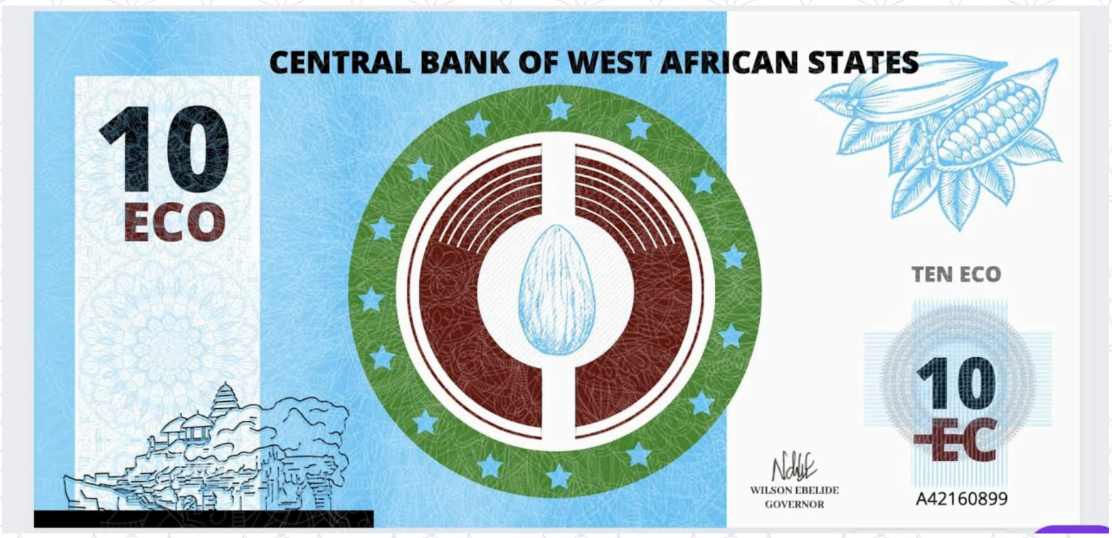
ECOWAS TO UNVEIL ECO SINGLE CURRENCY FOLLOWING NIGERIA'S ENDORSEMENT



The Economic Community of West African States (ECOWAS) is in the advanced stages of launching the single currency initiative known as ECO. This currency aims to become a cornerstone of economic integration, facilitating trade and enhancing monetary stability across West Africa. The ECO will be included as a feature in the three-in-one identity card planned by the National Identity Management Commission (NIMC) and is scheduled for rollout in August 2024. This progress follows the Nigerian government's endorsement of the initiative.[34]

The concept of a single currency (ECO) was first proposed by ECOWAS in 2003, but its introduction faced multiple delays, being postponed to 2005, 2010, and 2014. In 2019, ECOWAS leaders officially adopted the name "ECO," with plans to launch the currency in 2020. However, the launch was postponed due to challenges posed by the coronavirus pandemic.[35] ECOWAS has encountered several obstacles in launching the ECO, including economic pressures on member states, struggles with national debt, and political instability.

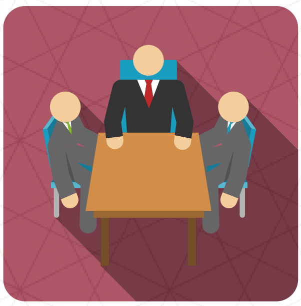
Central Bank Governors and Finance Ministers from fifteen ECOWAS member states agreed on the modalities for the ECO initiative at the 92nd Ordinary Session of the ECOWAS Council of Ministers held in Abuja this week. The meeting fostered a renewed sense of purpose regarding introducing the ECO. Participants shared a strong belief that the single currency has the potential to significantly reshape the region's economic landscape, paving the way for a more prosperous future for all member states.



34. Nurudeen Shotayo, 2024. ECOWAS set to unveil single currency, ECO after Nigeria endorsement. Business Insider Africa. https://africa.businessinsider.com/local/markets/ecowas-set-to-unveil-single-currency-eco-after-nigeria-endorsement/glc7p0z

35. Farah Bahgat, 2021. West African bloc aims to launch single currency. https://www.dw.com/en/ecowas-west-african-bloc-aims-to-launch-single-currency-in-2027/a-57970299

Political Update



A SHIFT IN THE POLITICAL ECO SYSTEM; IS RWANDA AN EXCEPTION

In 2024, significant political shifts occurred across Europe and Africa, marked by increasing voter rejections of established parties. However, Rwanda's President Paul Kagame maintained his grip on power with a fourth term victory of over 99% of the votes for the Rwandan Patriotic Front.[36]

In Europe, the increasing cost of living and health crisis has caused political waves. Despite New Popular Front's large coalition in France, the parliament remains largely sedimentary as Macron's Centrist Ensemble coalition and the far-right National rally were able to prevent a majority win.[37] The Labor Party's stride in the U.K has resulted in a decisive victory. Ending 14 years of Conservative rule and regaining power since 2010. South-Africa has set historical records with the African National Congress party (ANC), losing its majority for the first time since the apartheid ended in 1994.[38]

Moreover, Bassirou D. Faye's first round win in Senegal, is the first time an opposition party won the presidency election in the first round. Faye's victory was largely as a result of the American style politics encapsulated by the "Diomaye-Sonko" movement, after Sonko and Faye had been released from prison. In addition, COVID 19's impact on the informal economy sparked the growing dissent for Sall's administration.[39]

In addition, Kagame's political stronghold can largely be attributed to the economic progress observed in Rwanda. Between 2000-2022 the nation observed an average growth rate of 7.2%, per capita income growth of 278% and according to the African development bank Infrastructure index, between 2005-2022 Rwanda has an average infrastructure growth rate of 3%. Rwanda stands as a model for the growing sentiment of accountable governance recently highlighted by Kenya's protest against the proposed finance bill.[40]

36. Diallo, M. (July 16). Kagame wins Rwanda's presidential elections in landslide. Voice of America. https://www.voanews.com/a/kagame-wins-rwanda-s-presidential-elections-in-landslide/7699784.html

37. Staff, A. J. (July 9). French election results: No party secured a majority, so what's next? Al Jazeera. https://www.aljazeera.com/news/2024/7/8/french-election-results-no-party-secured-a-majority-so-whats-next

38. Melley, B., & Lawless, J. (July 5). UK's Starmer begins forming Cabinet, names Reeves for Treasury | AP News. AP News. https://apnews.com/article/uk-elections-2024-result-labour-starmer-exit-sunak-e94f379ea893ec17711fd82cec03b603

39. Haque, N. (2024, April 2). From prisoner to president in 20 days, Senegal's Diomaye Faye takes office. Al Jazeera. https://www.aljazeera.com/features/2024/4/2/from-prisoner-to-president-in-20-days-senegals-diomaye-faye-takes-office

40. African Development Bank Group. (2022). African Infrastructure Development Index. https://infrastructureafrica.opendataforafrica.org/pbuerhd/africa-infrastructure-development-index-aidi-2022

THE US AND NIGER HAVE AGREED TO WITHDRAW ALL US TROOPS BY SEPTEMBER 15, 2024

After Niger's military junta requested the US to pull out its nearly 1,000 troops stationed there. Previously, Niger played a significant role in Washington's efforts against insurgents in the Sahel region of Africa, but tensions rose after the junta took power last year.

Both sides are working together to ensure a safe and orderly withdrawal. The US will remove sensitive equipment but leave behind some larger items for Niger's forces to use. There are also ongoing talks about maintaining diplomatic relations and future cooperation.

Niger's decision to request the withdrawal of US troops followed discussions in mid-March, during which US officials raised concerns about the anticipated arrival of Russian forces and reports of Iran seeking raw materials, including uranium. Since then, Russian military personnel have entered an air base in Niger.

The US's presence in Niger has provided a sense of stability in the region, sending warnings to insurgents and engaging in counter-terrorism operations to bring order to the region. With the departure of US troops, there are concerns about the country's security ability to effectively combat threats in the region. The absence of US forces could alter the balance of power, impacting not only Niger's security but also neighboring countries. This also leaves a vacuum that might be exploited by extremist groups or other actors, posing challenges to regional stability.

While the withdrawal does not sever diplomatic ties between the United States and Niger, it necessitates a reevaluation of their bilateral relationship. Both countries will need to engage in ongoing diplomatic dialogue to redefine their partnership, address security concerns, and explore alternative avenues for cooperation beyond military presence.

Once the withdrawal is complete, Niger will likely seek to strengthen its own armed forces and enhance cooperation with regional partners in security and defense matters. This could lead to increased collaboration with other countries and organizations invested in maintaining stability in the Sahel region.[41]

41. Moussa Aksar et al. May 19, 2024. US to complete withdrawal from Niger by Sept. 15. Reuters. https://www.reuters.com/world/africa/us-complete-withdrawal-niger-by-sept-15-2024-05-19/

BUSINESS OPTIMISM MEETS POLITICAL UNCERTAINTY IN SOUTH AFRICA'S NEW COALITION

South Africa's new coalition government has generated cautious optimism in the industry and financial markets, but concerns remain about its ability to drive economic growth and social change. President Cyril Ramaphosa appointed former opposition leader John Steenhuisen to a key ministry, marking the first coalition cabinet in three decades with the inclusion of the Democratic Alliance (DA) and other parties.

After the African National Congress (ANC) lost its majority in the May 29 election, receiving only 40% of the vote, it had to form alliances to stay in power. The DA was granted six ministries, including agriculture, public works, environment, and basic education, along with six deputy minister positions in finance, trade, and energy. Steenhuisen emphasized the importance of the DA's role in national reconstruction. Business leaders welcomed the inclusion of the center-right, capitalist DA.

The coalition marks a major political transition, highlighting the ANC's declining dominance. The success of this coalition could set a precedent for future political alliances, affecting the country's long-term political landscape. While business confidence might initially increase, sustained investor optimism will depend on the government's ability to implement reforms and improve the economic environment. The enlarged cabinet size could also lead to inefficiencies and higher administrative costs, straining public finances and reducing overall government effectiveness.[42]

42. Reuters. July 1, 2024. New South African government inspires hope and fear. https://www.reuters.com/world/africa/new-south-african-government-inspires-hope-fear-2024-07-01/

Social Update

TALENTS UNITE THE WORLD: REMA EARNS $3 MILLION PERFORMING AT ANANT AMBANI'S WEDDING.

Africa has an abundance of talents with the potential to export the talents around the world.

A good example is Rema, a Nigerian Afrobeats singer, who recently performed at the wedding of the son of Asia's richest man, Mukesh Ambani.

Rema charged $3 million (₦4.8 billion) to perform his chart-topping hit song "Calm Down" at the Jio World Centre in Mumbai, India, celebrating the union of Anant Ambani and Radhika Merchant.[43]

His energy and performance brought a lot of joy, with the couples and guests singing along. This performance was not just exceptional but also highlighted the growing influence of African music worldwide.

This showcases African music on international platforms, inspiring the minds of young Africans to pursue their talents. This global exposure brings benefits home by enhancing the service sector, increasing demand for African artists, fostering growth in the local entertainment industry, and generating revenue from music exports.

Similarly, many Africans have been striving in the industry. Tyla, a South African musician, recently won "Best New Artist" and "Best International Act" at the BET Awards.[44] Diamond Platnumz, a Tanzanian musician won the "Best African Act Award" at the 2023 MTV European Music Awards.[45]

Africa's music, particularly Afrobeats, has been gaining traction globally. This is beneficial for the African economy as it leads to economic diversification, spurring job creation and growth in ancillary industries like technology, marketing, and advertising. It also enhances foreign exchange transactions, leading to a favorable exchange rate and the accumulation of foreign reserves, thereby improving Africa's global economic position.

43. Michael, C. 2024, July 14. "Rema secures N4.8bn gig at Mukesh Ambani Indian billionaire son's lavish wedding". Businessday NG. https://businessday.ng/news/article/rema-secures-n4-8bn-gig-at-mukesh-ambani-indian-billionaire-sons-lavish-wedding/

44. Ghartey, R., & Ghartey, R. 2024b, July 1. "BET Awards 2024: Tyla wins Best New Artiste and Best International Act". 3News. https://3news.com/showbiz/music/bet-awards-2024-tyla-wins-best-new-artiste-and-best-international-act/

45. Christopher, J. 2023, November 6. "Diamond wins 2023 MTV European Music Awards". The Citizen. https://www.thecitizen.co.tz/tanzania/news/entertainment/diamond-wins-2023-mtv-european-music-awards-4425056

Macroeconomic Indicators

Country	GDP Annual Growth Rate (%)	Inflation (%)	Life Expectancy (Years)	Unemployment Rate (%)	Interest Rate (%)
Angola	4.6 (Q1’24)	30.16 (May’24)	62.53	31.9 (Dec’23)	19.5 (May’24)
Botswana	-5.3 (Q1’24)	2.8 (Jun’24)	70	25.9 (Sep’23)	2.15 (Jun’24)
Cameroon	3.1 (Q4’23)	4.5 (May’24)	60.61	3.7 (Dec’23)	5 (Jun’24)
Ethiopia	7.9 (Q4’23)	19.9 (Jun’24)	68.12	18.9 (Dec’22)	7 (Jun’24)
Eritrea	2.9 (Q4’23)	6.4 (Dec’23)	67.77	5.9 (Dec’23)	N/A
Gabon	2.3 (Q4’23)	3.4 (Jan’24)	67.20	20.4 (Dec’23)	5 (Jun’24)
Ghana	4.7 (Q1’24)	22.8 (Jun’24)	65.17	3.6 (Dec’23)	29 (Jun’24)
Guinea	5.9 (Q4’23)	5.4 (May’24)	62.93	5.4 (Dec’23)	11 (Jun’24)
Ivory Coast	6.9 (Q3’23)	4.9 (May’24)	60.1	2.6 (Dec’22)	5.5 (Jun’24)
Kenya	5 (Q1’24)	4.6 (Jun’24)	67.70	4.9 (Dec’22)	13 (Jun’24)
Liberia	4.7 (Q4’23)	9.72 (Apr’24)	65.25	2.9 (Dec’23)	20 (Jun’24)
Mozambique	3.2 (Q2’24)	3.04 (Jun’24)	62.51	3.91 (Dec’22)	15 (May’24)
Nigeria	2.98 (Q1’24)	34.19 (Jun’24)	55.8	5 (Sep’23)	26.75 (Jul’24)
Rwanda	9.7 (Q1’24)	1.1 (Jun’24)	70.27	12.9 (Feb’24)	7 (Jun’24)
Senegal	2.3 (Q1’24)	1.3 (Jun’24)	69.11	22.3 (Dec’23)	5.5 (Jun’24)
South Africa	0.5 (Q1’24)	5.2 (May’24)	65.10	32.9 (Mar’24)	8.25 (Jun’24)
Tanzania	4.6 (Q4’23)	3.1 (Jun’24)	66.67	8.9 (Dec’22)	6 (Jul’24)
Uganda	6.6 (Q1’24)	3.9 (Jun’24)	64.67	2.9 (Dec’23)	10.25 (Jun’24)
Zambia	8 (Q4’23)	15.2 (Jun’24)	64.96	6.1 (Dec’22)	13.5 (Jun’24)
Zimbabwe	4.5 (Q4’23)	57.5 (Apr’24)	62.41	9.1 (Dec’23)	20(Jun’24)

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